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# AGRICULTURAL COOPERATION

LEGAL, ECONOMIC, AND ORGANIZATION INFORMATION COLLECTED BY THE BUREAU OF AGRICULTURAL ECONOMICS,  
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## DISTRIBUTION OF RESERVE TO CALIFORNIA PEAR GROWERS

Distribution to members of a considerable portion of the accumulated reserve early in January, is planned by the California Pear Growers' Association, San Francisco. Immediately following the annual meeting it is planned to hold a series of fourteen luncheons and at these luncheons the distribution will be made according to the proprietary interest in the reserve of each individual member. Invitations to these luncheons are extended not only to members but also to pear growers outside the association and to representatives of allied industries.

Attention of members is called to the fact that the reserve funds of the association, beyond the current accounts, have been invested in United States Treasury certificates bearing a reasonable rate of interest, always convertible into cash, and beyond any possibility of loss.

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## SUN-MAID PRESIDENT ON THIRD SPEAKING TOUR

For the third time the president of the Sun-Maid Raisin Growers of California, Fresno, is personally reporting to the membership regarding the affairs of their business enterprise. He is scheduled to give his annual report at eighteen meetings at central points in the raisin-producing region, which is about the size of the states of New York and Pennsylvania combined. At each point he will meet the membership, answer questions, and report as to past accomplishments, present status, and future expectations. He hopes in this way to establish "the personal contact that means so much in a cooperative undertaking." He feels that "the foundation for a successful continuation of the record of attainment is a clear understanding, on the part of the men who own the industry, of the difficulties that must be faced and the way the job is being done."

It is proposed to advise the growers regarding the plans being worked out for 1926, particularly for reducing costs of operation, and "for the intrenching of Sun-Maid as the quality raisin of the world."

### FRUIT EXCHANGE COMPLETES THIRTY YEARS OF ACTIVITY

October 31, 1925, completed the thirtieth season for what is now the California Fruit Growers' Exchange, Los Angeles. The original organization, the Southern California Fruit Exchange, was incorporated October 21, 1895, and the name was changed to California Fruit Growers' Exchange, March 27, 1905.

During the thirty years that the organization has been active, 631,865 car loads of citrus fruits have been shipped with f.o.b. returns of nearly \$700,000,000.

The growth of the exchange from a small beginning has been consistent. During the first five years of the thirty-year period, it handled 17,320 car loads of fruit, which quantity was approximately 30 per cent of the total shipments of citrus fruit from the state. During the last five years it handled 72 per cent of the total shipments from California with f.o.b. returns in excess of \$280,000,000, as will be noted in the table below:

Five-year period	Total ship-	Exchange Shipments				
	ments from	Quantity	Per cent	F. O. B.		
	California		of total	returns		
	(car loads)	(car loads)	(index)			
1895-00	58,238	17,320	100	29.7	\$8,918,776	
1909-05	129,295	55,248	319	42.7	25,859,362	
1905-10	163,736	89,330	516	54.6	62,749,760	
1910-15	200,433	122,201	706	61.0	90,098,393	
1915-20	217,203	152,887	883	70.4	211,041,674	
1920-25 <sup>a</sup>	269,494	194,879	1125	72.3	281,368,188	
Total	b/ 1,038,399	631,865		60.8	580,046,153	

<sup>a</sup> Previous to 1921 the fiscal year ended August 31, but beginning with 1921 it has ended with October 31.

<sup>b</sup> The usual estimate is 400 boxes to a car load.

Shipments for the last ten years amount to 117,405,242 boxes of oranges and grapefruit and 34,084,390 boxes of lemons. The f.o.b. returns for the ten years have varied from \$27,600,000 for the season of 1915-16 to \$70,200,000 for the season of 1924-25. The total returns for the ten-year period were \$492,000,000.

The past year has been the biggest in the history of the exchange from the standpoint of returns. The returns to California for 37,258 car loads of fruit shipped were over \$70,000,000. The next best year as to f.o.b. returns was 1919-20 when the total was \$58,900,000. Although the shipments for the past year were less by 7,000 car loads than for the preceding season, the f.o.b. returns were larger by nearly \$20,000,000. The total shipments by the exchange for the 1924-25 season were approximately 27,000 car loads of oranges, 10,000 car loads of lemons and 300 car loads of grapefruit. (See table on next page.)

Season	Exchange Shipments			F. O. B.
	Oranges and grapefruit a/	Lemons	Total	Returns
	(Boxes)	(Boxes)	(Boxes)	
1915-16	9,694,238	2,407,232	12,101,520	\$27,675,923
1916-17	12,335,804	2,656,536	15,492,340	33,478,131
1917-18	6,452,895	2,191,231	8,644,177	36,291,675
1918-19	11,126,935	3,723,120	14,855,095	54,627,557
1919-20	12,371,230	3,452,534	15,823,764	58,968,389
1920-21 b/	15,390,105	4,175,239	19,565,344	56,905,877
1921-22	8,121,080	3,496,223	11,617,303	48,445,644
1922-23	14,645,070	3,212,347	17,857,417	55,271,975
1923-24	14,800,069	4,588,211	19,388,280	50,508,184
1924-25	11,967,715	4,175,677	16,144,392	70,236,507
Total	117,405,242	34,084,390	151,489,632	492,409,862

/a Including a few tangerines.

/b Fourteen months, due to change of close of fiscal year from August 31 to October 31.

Figures indicating the cost of services rendered by the central exchange are available for the past 13 seasons. These figures show that exclusive of advertising, the average per box cost for the central and district exchanges has ranged from 4.75 cents in 1916-17 to 9.5 cents in 1921-22. The cost for the season just closed was 8.46 cents, made up of 6.87 cents for the central exchange and 1.59 cents for the district exchanges. The deduction for advertising, which was 2-1/2 cents a box for oranges and 4 cents a box for lemons in 1915-16, has been increased as the crop to be marketed has become larger to 4-1/2 cents and 7 cents respectively.

Season	Expenses				Deductions per box for advertising	
	Central: Exchange:	District: Exchange:	Total	Per cent of f.o.b.returns:	Oranges and: grapefruit:	Lemons
	(cents)	(cents)	(cents)		(cents)	(cents)
1912-13	7.33	1.33	8.66	3.13	-----	-----
1913-14 a/	5.75	.85	6.60	b/ 3.86	-----	-----
1914-15 a/	6.25	.91	7.16	b/ 4.35	-----	-----
1915-16	4.65	1.00	5.65	b/ 2.47	2.50	4.0
1916-17	3.94	.81	4.75	b/ 2.19	2.25	4.0
1917-18	5.25	1.25	6.50	b/ 1.54	2.00	4.0
1918-19	4.26	.94	5.20	b/ 1.54	2.50	4.0
1919-20	5.51	1.12	6.63	b/ 1.77	2.50	6.0
1920-21 c/	5.95	1.08	7.03	d/ 2.25	3.50	6.0
1921-22	7.70	1.80	9.50	d/ 2.27	3.50	6.0
1922-23	5.44	1.42	6.86	d/ 2.22	4.00	6.5
1923-24	5.45	1.41	6.86	d/ 2.63	4.50	7.0
1924-25	6.87	1.59	8.46	d/ 1.94	4.50	7.0

/a Including advertising. /b Agricultural Cooperation, Jan. 14, 1924, p. 24.

/c Fourteen months due to change of fiscal year from August 31 to October 31.

/d From annual reports.

Shipments of oranges were made during the past season to the Orient, to the United Kingdom and to continental Europe as well as to American countries.

Fruit not suited for shipment was handled by the by-products companies. The crushing capacity of the Exchange Orange Products Company was doubled and concentrated orange juice was sold in increased quantities, new accounts being opened in Austria, Sweden, and Japan. At the same time, sales in Great Britain were materially increased. In order to take care of a greater percentage of the cull fruit for the exchange members, the capital stock of the company has been increased and plans made for a larger factory.

Approximately 1,200 carloads of cull lemons were delivered to the Exchange Lemon Products Company. From this tonnage there was produced 800,000 pounds of citric acid, 30,000 pounds of lemon oil and 30,000 pounds of new citrus pectin. The sale of these products will bring additional returns to the lemon growers.

Advertising directed toward the creation of consumer demand was continued during the past season. In commenting upon the results of 18 years of advertising of citrus fruits the management of the exchange says:

It is quite evident that consumer demand for citrus fruits has been soundly built to a point where they enjoy a distinct and preferential demand for which other fruits which may be in abundance do not provide an acceptable substitute.... Each five years has witnessed a distinct increase in per capita consumption. This increase has been absorbed without a corresponding decrease in price levels to the producer which would have inevitably ensued if consumer demand remained static.... Advertising is a form of education and, like education, the work is never finished. The American market of 120 million people is a changing one, changing as to individuals, and as to habits and customs of the people. It requires sustained effort as well as alertness to opportunity, to maintain and increase public preference for a product. The Exchange has recognized both necessities.

Sunkist bulletins to the number of 1,821,000 were distributed to domestic science teachers and college extension workers. "These bulletins were ordered by the teachers and used for classroom instruction." In the same manner 83,000 dietetic bulletins were distributed through nurse training schools.

Dealer service men from the exchange visited 45,000 dealers during the season and assisted in trimming 28,000 windows with Sunkist advertising material. Over 146,000 letters were mailed to the trade to supplement the personal service work.

Seven thousand Sunkist electric juice extractors were sold, making the total number now in use, 27,000. It is estimated that these extractors increased the demand for oranges and lemons last season to the extent of 3,400 car loads.

There was an increase in the number of district exchanges from 21 to 23 and an increase in local units to 204 during the year. The membership of the units also increased. (See Agricultural Cooperation, Jan. 19, 1925, p. 27.)

DAIRYMEN'S LEAGUE BUYS CERTIFICATES OF INDEBTEDNESS

Up to October 1, 1925, the Dairymen's League Cooperative Association, Inc., New York City, had purchased its own certificates of indebtedness to the amount of \$2,509,296. There was outstanding on that date, certificates with a face value of \$10,923,649. Various lots of certificates are due on May 1 of the four years beginning with 1927. The certificates which have been purchased by the association have been bought before maturity with surplus funds. In this way a considerable amount has been saved the association in interest as the certificates bear 6 per cent interest.

The certificates of indebtedness represent the capital which the members of the association have invested in this business enterprise, there being no shares of capital stock.

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MINNESOTA CREAMERIES DEVELOPING A SIDE-LINE BUSINESS.

While a large portion of the raw milk received by the member-units of the Minnesota Cooperative Creameries' Association, St. Paul, is made into butter, the management of the association is constantly on the watch for other opportunities for turning the raw milk into products that will bring additional income to the milk producers. Contracts have been made recently which increase the quantity of sweet cream sold in eastern markets to nine car loads a week.

Experiments are now being made as to the possibilities of converting sweet cream buttermilk into a milk powder that can be marketed to advantage. Recently, the buttermilk from several plants was assembled at a plant equipped for making milk powder and 550 pounds of powder made in a single day. Samples of the product have been distributed among bakers and large distributors for the purpose of determining the relative quality of the product.

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TWELFTH BRANCH WAREHOUSE FOR WISCONSIN CHEESE FEDERATION

Organization of the twelfth branch warehouse of the Wisconsin Cheese Producers' Federation, Plymouth, was completed on November 2; officers were elected and arrangements made to prepare for receiving cheese at the earliest opportunity. A mill property at Greenwood, has been purchased and the process of remodeling was begun on November 9. It is hoped the warehouse will be ready to receive cheese before the end of the year. The company is incorporated for \$20,000, with the share value placed at \$50. More than \$12,000 worth of stock was subscribed at the preliminary meetings, and nearly \$2,000 was paid in at the final organization meeting.

Four of a series of branch warehouse meetings have been held so far this fall with good attendance under unfavorable weather conditions. Much enthusiasm was developed in behalf of more efficient marketing methods.

CALIFORNIA EGG PRODUCERS ADOPT NEW POLICIES

Changes in policy are announced for the Poultry Producers of Central California, San Francisco. As a result of formal action of the board of directors no member who withdraws from the association from this time on will be permitted to become a member again within two years from the time of withdrawal.

Hereafter, poultrymen are not to be solicited nor urged to become members of the organization and those who voluntarily apply for membership will be received only after a searching investigation and evidence that they "desire to add the business of selling to their business of production."

It is proposed to establish a premium grade of eggs in those districts where a high grade product is produced. It is expected that the new grade will bring a premium in the markets.

Beginning with its next issue the official publication of the association, the Nulaid News, will be addressed to the customers who buy the eggs as well as to the member producers. "It is hoped to make the Nulaid News a builder of good will to assist the association in the selling end of its business."

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CONNECTICUT EGG ASSOCIATION OVERCOMES DIFFICULTIES

In its first year of operation, ending September 29, 1925, the Connecticut Poultry Producers, Inc., New Haven, incurred a loss of \$3,676. However, the management is not discouraged; many lessons have been learned; many difficulties overcome; and the results of the last five months of the year were satisfactory from a sales standpoint. The first months were trying ones. Business was begun October 3, 1924, which proved to be an inopportune time. When there was a market the association had few eggs, then when it had plenty of eggs there was but little demand, as no reputation had been developed for the product. The trademark chosen proved unsatisfactory and in July it was decided to sell eggs loose but stamped individually as a means of identification. One cent extra was charged if packed in cartons. At present about 33 per cent of extras are sold in cartons and the stamp on each egg is believed to be good and inexpensive advertising. A new brand was devised and eggs are being sold as "Three B" eggs. A total of 448,274 dozen, or 14,942 cases, were handled in 49 pools. Sales were over \$200,000.

As the collection service resulted in a loss of over \$1,000, this service was discontinued.

Commissions on consigned sales for the year amounted to \$21,471, and total income was \$24,187. Expenses amounted to \$27,363, of which salaries for officers, candlers, salesmen and drivers reached the sum of \$14,631.

At the end of the fiscal year the membership numbered 156, representing about 75,000 hens. Of the total membership, about 20 are inactive, some having gone out of the poultry business and others shipping few if any eggs.

NEW LIVESTOCK AGENCY SERVES TEN THOUSAND SHIPPERS

From February 10, 1925, the date of beginning business, to October 1, the Producers' Cooperative Commission Association, Cincinnati, handled 112,447 animals. Of these, 5,370 were cattle; 12,911 calves; 75,089 hogs; and 15,081 sheep. The animals were sold for \$2,802,226, and the selling commissions amounted to \$36,947. Nearly one-third of the commissions have been saved and are available for expanding the enterprise, for educational work, or for patronage dividends.

It is estimated that the association is serving close to 10,000 shippers. About one-half of the animals received were from Ohio points and the rest from southern Indiana, Kentucky, Illinois, and Tennessee.

Figures furnished by the management indicate that the association handles about 12 per cent of the stock received at the Cincinnati yards. Frequently from 25 to 30 per cent of the hog receipts are handled by this enterprise. The association sells stock for anyone who cares to ship to it. However, it is planned to use the savings on the business of non-members for educational work.

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OPERATIONS OF PACIFIC WOOL GROWERS PORTPAID

Several hundred members have visited the Portland and San Francisco warehouses of the Pacific Cooperative Wool Growers, Portland, Ore., in the past year. It is believed that actual observation of methods of grading, sorting and scouring the wool has given a clearer idea of what must be done to prepare the wool for market in order to secure the best prices.

As the association has some 3,200 more members who may not be able to visit the warehouses, the management has prepared a trip through the buildings by means of a picture supplement to the regular bulletin issued by the association. This attractive publication shows the major operations as accurately as can be done by means of photographs.

Stress is laid upon the fact that the association scours and carbonizes wool while it is the property of its members. The association has also rendered a service by making it possible for growers to learn something about the shrinkage of their wool. Mohair growers have been aided by the association's practice of distinguishing between kid hair and adult hair. Formerly all mohair was sold at one price; now members frequently receive nearly twice as much for the kid hair as for the other.

The association is equipped to handle ten million pounds of wool per year and is in a position to execute large orders. The attention of buyers is called to the varying characteristics of wools from different sections of territory, which it is prepared to supply in quantities, also to the facilities for processing and shipping the wools in a manner to meet buyers' requirements.

SALES ORGANIZATION FOR NORTH CAROLINA COTTON GROWERS

In order that cotton may be sold on "buyers' call" the management of the North Carolina Cotton Growers' Cooperative Association, Raleigh, has created the North Carolina Cotton Growers' Sales Corporation. Five thousand dollars of the reserve fund of the association was used to capitalize the corporation. Shares of stock will be issued in the names of the members of the board of directors of the association. These shares are to be endorsed in blank and deposited with the secretary of the association to hold as association property. Two of the directors of the growers' association and the general manager will be the directors of the sales corporation. The general manager of the association will be general manager of the sales corporation and one person will serve as sales manager of both organizations.

It is expected that the sales corporation will be able to deal more generally with the cotton mills than it has been possible for the association to do. The corporation will be in a position to sell cotton on either buyers' call or sellers' call, as may be agreed upon by the buyer and the corporation. Heretofore it has been possible to sell only about 8 per cent of the cotton direct to the mills; about 22 per cent has been sold to foreign buyers and 70 per cent to shippers and merchants, the shippers and merchants selling to the mills as they were in a position to enter into the kind of contract favored by the mills.

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DISCOUNT CORPORATION ENLARGES ITS FIELD OF ACTION

More than a million dollars has been loaned to Delta cotton growers in the past two seasons by the Staple Cotton Discount Corporation, Greenwood, Miss., "without the loss of a cent and without a dollar of carryover," according to an advertisement appearing under date of October 20, 1925.

Arrangements have now been perfected whereby the corporation may extend credit up to \$100,000 to individual cotton growers. Direct loans will be made to growers whose paper is eligible to rediscount with Federal Reserve banks and loans to other growers will be made in cooperation with their local banks.

It was pointed out in the advertisement that the corporation is not operated for profit and that any income above expenses will accrue to the shareholders who are the borrowing cotton growers.

An 8 per cent dividend was declared on the capital stock of the corporation in connection with its 1924 transactions and it is expected that a similar dividend will be declared for 1925. No one individual is permitted to hold more than 5 per cent of the capital stock.

This corporation which began functioning in March of 1924 was created largely by the management of the Staple Cotton Cooperative Association for the purpose of supplying production credit to the cotton growers. Advances are made to grower members in monthly installments during the producing season, the maturing cotton being the basis of the advances.

CONNECTICUT VALLEY ASSOCIATION READY FOR NEW CROP

Announcement has been made by the president of the Connecticut Valley Tobacco Association that arrangements have been made with the various financial institutions furnishing credit to the association for the financing of the 1925 crop and the further financing of the unsold portions of the 1923 and 1924 crops. As a part of the financing program the board of directors voted to the executive committee full jurisdiction over all publicity, all sales and prices, all warehousing arrangements, and all matters dealing with personnel and salaries.

Members of the association are being urged to attend a series of institutes arranged by the Connecticut Agricultural College extension service at which the economic situation in regard to the Connecticut Valley tobacco industry will be considered at length, with emphasis upon the needs of the growers.

Arrangements are being made by the management of the association to sell at once tobacco in bundle for growers who must have money, even at a sacrifice.

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GEORGIA CANE GROWERS MARKET SMALL CROP

Cane syrup produced by the Cane Growers' Cooperative Association, Cairo, Ga., from the 1924-25 crop was only about 40 per cent of a normal yield. None of the syrup was canned as sales in barrels were more profitable. Although the canning association, the Cane Growers' Canning and Warehouse Company, had certain fixed charges whether it operated or not, these fixed charges were more than offset by the good prices received for barrel syrup.

An audit has been made by certified public accountants of the books and records of the Cane Growers' Cooperative Association and its subsidiary, the Cane Growers' Canning and Warehouse Company, for the period from December 1, 1924, to September 30, 1925, covering all transactions in connection with the 1924-25 crop.

"Red ink" characterizes the work of the canning company, to the extent of \$5,168.04, as business in this department was light, sales being less than the inventory at the beginning of the year. A dividend of 8 per cent, amounting to \$2,180, was declared on capital stock.

Sales for the growers' company amounted to \$194,974; general expenses were \$20,819, including the loss incurred by the canning company; and the net proceeds to members totaled \$159,738. A total of 252,261 gallons of syrup was handled. This was sold at prices which averaged 77.29 cents a gallon. An overestimate of the net proceeds to members resulted in overpayment to the extent of \$4,373. The total surplus of both companies amounts to \$2,942.

The assets of the canning and warehouse company include plant and equipment valued at \$25,156.

MANITOBA GOVERNMENT INSTRUCTS FARMERS IN COOPERATION

Extension Bulletin No. 80, published by the Manitoba Department of Agriculture and Immigration, is entitled "Cooperative Marketing in Manitoba," and is devoted to the incorporation and organization of co-operative associations in Manitoba. Part One considers the legal status of associations, including different forms of organizations, their relation to the law, objects and powers, memorandum of association, by-laws, meetings, contracts, records, etc. Part Two gives suggestions on how to organize and begin operation, methods of financing, etc. The characteristics of a joint stock company and a cooperative company are summarized for comparison.

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OKLAHOMA BOYS AND GIRLS TO ENTER 1925 ESSAY CONTEST

Cash prizes to the amount of \$800 are to be awarded to club boys and girls in the 1925 cooperative essay contest, sponsored jointly by the Oklahoma Cotton Growers' Association, Oklahoma City, and the Oklahoma Wheat Growers' Association, Enid, Okla. The subject of the essays will be: "What Cooperative Commodity Marketing on the Oklahoma Plan Means to Me."

Any white student in any grade school or high school in Oklahoma, except those who have already won highest honors, may compete in the contest. A separate contest is arranged for colored children.

Material is being furnished by the associations acting as sponsors. Material can also be obtained through the county superintendent, the county agricultural agent, county home demonstration agent, vocational agricultural teacher, or the club leader.

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STUDY MADE OF PENNSYLVANIA PURCHASING ASSOCIATIONS

Annual reports for 1924 of 42 cooperative purchasing associations have been analyzed by the Pennsylvania Bureau of Markets for the purpose of giving the managers of the associations comparative facts, in order to help in bringing about greater efficiency. For ready comparison, the associations were divided into four groups according to the volume of annual sales. Averages of the report of the associations in each group have been worked out for use by each of the managers as a basis of comparison with his own business. Through these, he may determine the relative efficiency of his own organization.

Another purpose of the analysis is to give new associations a definite basis upon which to start business. Heretofore each association has had to learn from experience as facts were not available. It is hoped this study will aid both new and old organizations in avoiding mistakes. The various factors which indicate the relative efficiency of the different organizations are brought out in a series of tables.

AUSTRALIA'S BIG COOPERATIVE ENTERPRISE

"Milestones of Cooperation" is the title of a recent valuable addition to the Department of Agriculture's library of source material on cooperation. The publication is a pamphlet of 32 pages dealing with the beginnings and present status of cooperative marketing in New South Wales, Australia. As the central force around which cooperative marketing efforts in New South Wales has clustered is the Coastal Farmers' Cooperative Society, Limited, (C.F.S.) Sydney, much of the pamphlet has been given over to recording the activities of that association and to describing its importance in connection with the agricultural development of the state.

It appears that the first cooperative distributing company was established in 1881 under the title of the South Coast and West-Camden Cooperative Company, Ltd. Owing to limited capital and "the burden of its early pioneer mistakes" the South Coast Company went into liquidation in 1900. The same year one of the leaders in the old organization gathered together "a handful of keen cooperative dairymen" and formed the Coastal Farmers' Cooperative Society, Ltd. The enterprise was launched with a subscribed capital of £250<sup>0</sup>/<sub>2</sub> and with less than £150 in hand. According to the rules adopted none but farmers or consignor could become shareholders; all proceeds were to be banked in a trust account; and after the payment of moderate dividends and the setting aside of a sum for reserve, all profits were to be distributed to consignors.

It is stated that simultaneously with the starting of C.F.S., a company, with some cooperative features, commenced operations with a subscribed capital of £60,000, and that a "battle royal" followed. One company used "to its fullest extent the metallic persuasion of its huge capital, the other relied upon the soundness of its cooperative principles." At first the proprietary company had the lead, the cooperative being unable to meet expenses. At the end of eight years, however, the proprietary company went into liquidation, with the loss of its entire share capital, with heavy losses to its bankers and with losses to consignors of dairy produce, wheat, fruit and other products.

During the eight years the cooperative had paid 6 per cent per annum on its share capital and had returned to consignors £25,461 as bonuses.

At the end of its 23rd year the F.C.S. reported that its annual sales were in excess of £4,004,186; that it had distributed £39,958 as dividends on share capital and had returned to consignors £246,840 as bonuses.

Among the shareholders of the society are 53 butter factories, 8 bacon factories, 32 cheese factories, and 23 fruit packing shed associations. This society has many of the characteristics of the American federation and also many of the characteristics of the American cooperative sales agency.

Throughout its entire existence the management of the society has concerned itself with the problem of getting a better article to market. It has sent its representatives across the seas to learn how to make better butter and cheese; and how to prepare the products to compete upon favorable terms with the other products offered in the world markets. Large sums have been used for educating the management of the factories to higher

standards. Steps have been taken to bring about the standardization of fruit and other products.

One of the substantial achievements of the Society has been in the matter of a reduction of the commissions charged for marketing services. Commissions have been lowered from 5 per cent to 3 per cent for butter and from 5 per cent to 4 per cent for bacon. Despite the reductions, bonuses have been paid to consignors. In the words of the historian of the Society, "Cooperative selling .... has signified service to the producer. It has also directly and indirectly cheapened the cost of marketing."

The first product to be handled by the C.F.S., was eggs. In 1918 it absorbed a struggling poultry association and established auction sales at the municipal market. During the year ending September 30, 1922, egg sales amounted to £257,385 and table poultry sales to £64,754. During the 1922 season all eggs were pooled. During the year the number of consignors increased to 1,550. Exports for the 1922-23 season totaled 26,136 cases.

Butter and cheese have been marketed overseas in competition with similar dairy products from other countries. Moral support was given to the Dairy Farmers' Cooperative Milk Company, which has "secured the dominating position in the city milk trade." This company has accumulated assets to the value of \$140,000.

The C.F.S. advanced money as well as advice to the Cooperative Box Company which supplies its shareholder factories with butter boxes, cheese crates, bacon export crates, egg cases and fruit crates.

Under the leadership of the C.F.S. the Cooperative Bacon Smoking Company was formed with the farmers' bacon plants as shareholders. The management of this enterprise was placed in the C.F.S.

Grading and packing rooms have been opened in Sydney for handling apples, pears, citrus fruits, bananas, grapes, peaches, cabbage, peas, potatoes, beans, etc. Markets have been established in six cities for the sale of farm produce; in addition, thousands of carloads are exported to New Zealand, Fiji, Java, America and Europe. Large quantities of canned and dried fruit are also marketed. Assistance has been given to the producers of honey in the matter of standardizing their product. Advances are made to consignors; also advances on honey stored on the farm.

Some grain is handled. A "crushing mill" for producing feed is operated, also a plant for cleaning seeds. It is the aim of the Society to supply its members with high grade seeds as a step toward quality products.

Early in the history of the society a department for buying producers requisites was created. Creamery, orchard and poultry supplies are imported in quantity.

One of the outstanding achievements of the Society is the establishment of a "selling floor" in London where dairy products, eggs, wheat, wool, and fruit are sold. The enterprise which operates as the Australian Producers' Wholesale Cooperative Federation, Ltd., was launched in 1920 by the combined effort of 11 associations. Its annual sales exceed £3,960,459. The London "sales floor" is under the same roof as similar institutions representing South Africa and New Zealand producers.

CHARACTER AND STATUS OF CERTIFICATES OF INDEBTEDNESS

Many cooperative associations issue certificates of indebtedness and an inquiry into the character of such certificates and their status should be of interest. A certificate of indebtedness, as the term suggests, is a written acknowledgment by the issuing association that it is indebted for the amount stated to the person named therein. The paper certifies to this fact. It is written evidence that the lawful holder of the certificate has a claim against the association issuing the certificate in accordance with its terms.

Certificates of indebtedness are generally used as a link in the revolving fund plan of an association. The plan is one under which the burden of furnishing the capital needed by the association is equalized and, to a degree at least, shifted from year to year so that all members utilizing the association help to furnish its capital. The plan contemplates the redemption of some certificates from time to time and the issuance of other certificates to the same or to different members. The certificates are written evidence of loans which the members of an association have made thereto. Generally, if not always, the certificates are issued because of deductions made by the association from the proceeds derived from the sale of the products of members. These deductions are authorized by the marketing contract or by the by-laws of the association, or both. However, the method by which the association acquires the money does not change the essential character of the transaction which is simply that of a loan. The terms of repayment of certificates vary with different associations. Some associations attach coupons with different maturity dates to their certificates, and by this method the payment of the certificates is distributed over a term of years. Usually, these certificates bear interest. Broadly speaking, certificates of indebtedness belong to the same class of legal papers as I.O.U.'s and promissory notes. The terms and conditions of certificates vary. Some certificates specifically state that they are secondary to all other debts of the association and that in case of liquidation of the association debts other than those evidenced by certificates of indebtedness shall be preferred and have prior claims. In the case of other associations, and probably in the case of the great majority of them, the certificates of indebtedness contain no provisions making them junior to other debts of the association. No instance has been noted in which an attempt has been made to make the holders of certificates of indebtedness preferred creditors of the association, and it is believed that this could not be accomplished by the insertion of a provision to this effect in the certificates of indebtedness without conforming to the lien laws of the state. At least this would seem to be fundamentally true with respect to other creditors who extended credit to the association without notice that the holders of its certificates of indebtedness were preferred creditors.

If, as is usually the case, the certificates of indebtedness of an association contain no provision with respect to priority of payment, then in the event of liquidation of the association, the holders of the certificates would share on a pro rata basis with other unsecured creditors. And in all cases all creditors including certificate holders in the event of liquidation would be entitled to payment before the members or stockholders, as such, of the association could share in its assets.

L. S. Hulbert

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#### NEW MARKETING ACT IN MANITOBA

The Legislative Assembly of Manitoba has enacted a cooperative marketing act. The statute in many respects is similar to the one that has been adopted by many states and some of its provisions are identical in language with that statute. The Lieutenant-Governor-in-Council is authorized to appoint a Registrar of Cooperative Associations who shall assist persons desirous of becoming incorporated under the act, and he is directed to prepare and have available for the use of such persons papers needed in the formation of such associations and to be generally an adviser as well as supervisor of cooperative associations." The paper that is usually described in this country as the charter, articles of association, or certificate of incorporation, under the statute is known as the memorandum of association.

Persons desirous of forming an association are required to file with the registrar of cooperative associations a memorandum of association and, in addition, a copy of the by-laws of the association. The statute authorizes associations to enter into marketing contracts and the remedies of injunction and specific performance are granted to associations for the purpose of enabling them to enforce their contracts. Every association is required to make an annual return to the registrar showing its receipts and expenditures, assets and liabilities, together with the names and addresses of the directors and officers of the association. Every association is required to "supply gratuitously to every member or person directly interested in the funds of the association, on his application, a copy of the last annual return." Associations may be required to submit to the Minister of Agriculture, the names, addresses and occupations respectively of all their members.

From what has been said it is apparent that there are several features in the cooperative marketing act of Manitoba which are novel to cooperators in the United States.

L. S. Hulbert.

OKLAHOMA SUPREME COURT DECIDES AGAINST COTTON ASSOCIATION

On November 17, 1925, the Supreme Court of Oklahoma decided the case of the Oklahoma Cotton Growers' Association v. Salyer.

The association was incorporated under a statute of Oklahoma enacted in 1917. The contract between the association and Mr. Salyer was entered into in 1920. The association brought suit against him for the purpose of restraining him from disposing of his cotton outside of the association, to obtain specific performance of its contract, and to obtain five cents per pound as liquidated damages as provided for in the contract, for all cotton disposed of by Mr. Salyer outside of the association together with attorney's fees and costs. Mr. Salyer demurred to the petition of the association thereby asserting that it did not set forth a cause of action in law. The lower court sustained the demurrer, thus holding that the association had no cause of action, and the association appealed.

The Supreme Court of the State affirmed the judgment of the lower court, but three judges dissented. The principal, if not the sole reason for the decision of the Supreme Court was that the statute under which the association was formed contained a provision requiring associations formed under it to adopt a by-law, in the event that the by-laws required the members to sell all or any part of their products exclusively through the association, specifying a reasonable period in each year during which any member of the association by giving notice, might withdraw and be released from his obligation to the association. The Oklahoma Cotton Growers' Association had failed to adopt a by-law like that referred to, while the contract involved required the defendant to sell all of his cotton to the association for a period of five years. The section in question of the statute reads as follows:

The by-laws may require the members to sell all or any part of their specifically enumerated agricultural and horticultural products and to buy all or any part of their specifically enumerated farm supplies, exclusively through the association; but, in such case, shall specify a reasonable period, in each year, during which any member, by giving to the association the notice prescribed in the by-laws, may withdraw and be released from his obligation to employ the services of the association in respect to such products and supplies. The by-laws may fix as liquidated damages specific reasonable sums, in amounts fairly related to the actual damages ordinarily suffered in like circumstances, to be paid to the association to reimburse it for any damage which it or members may sustain by the failure of any member to perform any obligation to the association under the articles of association, the by-laws or any contract with the association, and any such provision shall be valid and enforceable in the courts of this state.

The court in holding that the association was not entitled to recover liquidated damages said:

Said sec. 13 of the Act provides also that said by-laws may fix an amount as liquidated damages for breach of contract, but it prescribes a condition and basis upon which such liquidated damages shall be fixed, viz: 'That such damages shall be reasonable sums, in amount fairly related to the actual damages ordinarily suffered in like circumstances.' The agreement violates this statute, takes away this statutory right by providing a fixed, arbitrary, unconditional lump sum of \$5.00 per hundred weight, for all cotton sold to parties other than the association, without reference to the reasonableness of such damages, without provision for determining whether they are reasonable or whether they are fairly related to the actual damages sustained, or fairly related to the actual damages ordinarily suffered in like circumstances.

The holding of the court was apparently based on the language of the statute concerning liquidated damages.

In many cases involving cooperative associations, provisions in their contracts fixing definite specific sums to be paid associations in the event of a breach of their contracts, have been upheld, and this is in accord with the general common law rule. For instance in the case of *Wise v. United States*, 249 U. S. 361, the United States recovered as liquidated damages, \$200 per day or \$20,000 because of the failure of the contractor to complete certain buildings for the Department of Agriculture within the contract period.

In 1923 the state of Oklahoma enacted a comprehensive cooperative marketing statute which expressly provides that associations formed under it, or entitled to the benefits thereof, may enjoin the breach of their contracts and secure specific performance thereof and may include in them, provisions for liquidated damages. In view of the fact that the association was formed under an earlier statute, and because the contract with the defendant and the breach thereof occurred prior to the passage of the 1923 statute, the Supreme Court held that the statute had no application to the instant case. The Supreme Courts of fifteen states have upheld the marketing contracts drawn pursuant to statutes similar to the 1923 act of Oklahoma. The association has advised that only a small per cent of its contracts are in any way effected since a majority of its members entered into contracts with it after the 1923 cooperative marketing act was passed.

L. S. Hulbert

FINANCIAL STATEMENTS AND THE GENERAL PUBLIC

Why do bankers buy advertising space to use in giving publicity to their financial statements? That they do, is a well-known fact. According to tradition, bankers do not habitually, in their business activities, make wasteful expenditures. Is it not, then, a plausible answer to the above query to say that these businesses find the printing and broadcasting of their financial statements a profitable investment?

Banks did not always court publicity for statements revealing their financial status, and not all bankers now hold up their balance sheets and invite the general public as well as their customers to scrutinize each item and to pass judgment upon the whole. For centuries it was the tradition of all business that the fewer the number of individuals who knew about the inner operations of an enterprise the better. In those days, business ventures were largely one-man enterprises and passed away with the passing of the individual who carried the secrets in his head. To some extent, business was a matching of wits in which the least informed of the parties to a bargain, paid for his lack of knowledge. Then it was that "caveat emptor" had its greatest significance.

There is a growing conviction in the business world that satisfactory service at a reasonable cost is the factor most essential to continued commercial progress. Under such a theory, it becomes a necessity, from the standpoint of those responsible for the success of business enterprises, to convince their customers and the general public that the services being rendered are of good quality and that the charges being made for these services are reasonable. The development of such a feeling on the part of customers and the prospective customers is commonly referred to as the creation of "good will."

A cooperative association is as much in need of good will as a bank or other business, perhaps more. Banking has had a place in the established order of things for centuries. The cooperative is still on trial in many parts of the world. It needs the enthusiastic approval and support of members and prospective members, and the complete confidence of customers. Furthermore, cooperatives need the approval of the general public which is a vital factor in legislative and judicial matters. For, in the last analysis, both legislation and court opinions reflect what the great mass of the general public feel is in line with "public welfare."

Cooperatives will undoubtedly profit by the experience of other business and will provide their memberships with accurate and complete information respecting the businesses which the members by contributing their patronage are helping to build. They will present the facts which will demonstrate that the services being rendered are all that they should be and that they are being rendered at a cost which is reasonable. The more enterprising of the cooperatives will go beyond this will learn from the experience of the more alert bankers and other businesses, and take every opportunity to get the facts regarding services and costs before the general public, that there may be an abundance of good will upon which they can draw as occasion may require.

A. V. Swarthout

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